

Illinois Times

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Cox offers amnesty to cable pirates

But they'll track down TV thieves who don't surrender

The Cable Guy of the multiplex is a menacing leech preying on the life of a meek, innocent cable customer.

But in real life, your neighbor could be the leech, perhaps not preying on your life, but stealing from your cable line and degrading picture and sound quality. Cox Communications estimates that about 2,100 of the 71,000 households it serves have illegal cable hookups.

"If they wish, it had nothing, they get in," said Ken Shaw, Cox's installation supervisor.

But Cox Communications is giving the pirates a break. Since June 3 and through at least July 15, households with illegal hookups can get hooked up legally, without fear of prosecution and penalty. By turning themselves in, they will be granted what Cox calls "cable amnesty."

What do pirates get in return? They avoid getting slapped with the maximum \$1,000 fine and up to six months in jail they would merit by getting caught. And chances are excellent they would be caught.

Since October of last year, Cox has had one person whose primary job is tracking illegal hookups by going house to house throughout Springfield. And installers and

repair workers are trained to notice pirated cable lines when out on their regular calls.

So far, the Sangamon County state's attorney has charged fourteen people with theft of services for illegally tapping into Cox Communications' cable lines. Four of those people pleaded guilty and received a penalty of a \$150 fine and one year's probation. The rest pleaded not guilty or failed to appear in court.

Cox has not yet prosecuted another seven cases to the state's attorney, and in those cases, illegal pirates became legal customers after being caught.

Through the house-to-house searches, Cox has estimated that about 3 percent of the households in the Springfield area steal a cable television signal, below the national average of 5 to 7 percent. Piracy costs cable companies about \$4.7 billion a year in lost revenues nationwide, and Cox loses about \$175,000 in revenue each year because of sneaky customers, said Cox Marketing Manager Libbie Stein. Shaw added that most cable pirates damage the cable infrastructure to tap in, and repairing it costs money, also.

That Cox has begun prosecuting those who steal its cable-television signal is a switch. It used to be that when an installer or repair person found an illegal hookup, they disconnected it and left a note on the violator's door inviting them to become a paying customer. "We might have made a mistake there," Shaw said.

The process of trying to weed out illegal customers has evolved over the years. In the past, the company hired an auditor every four or five years to look for illegal

hookups. But the infrequency of the audits meant that a person whose hookup was disconnected could reconnect and get free cable for years before getting disconnected again.

Five years ago, Cox began training its field staff to recognize illegal hookups. "The guys have a keen eye for it now," Shaw said.

Now, when a Cox employee finds an illegal hookup, they return in a month to make sure it's still disconnected.

According to Mike Giampetro, vice president and general manager of Cox's Springfield operation, programs to weed out illegal hookups are not conducted companywide but instead target problem communities. "It's basically done in a system where you have a recurring theft of service problem," he said.

The "Cable Amnesty" campaign does have its drawbacks for Cox, though. When a Cox employee finds an illegal hookup that has caused damage to the cable infrastructure, they automatically contact the state's attorney for prosecution. But if somebody calls in to report an illegal hookup, even if it caused damage, Cox won't prosecute, and cannot recoup its costs. "That's the deal we made with the public," Shaw said.

Luckily for Cox, though, the days when piracy is fairly common might be over in the foreseeable future. When all the cable infrastructure has been switched from coaxial to fiber-optic lines, it will be more difficult for leeches to tap in, Shaw said. "It will be more difficult for them, easier for us," Shaw said.

Showtime aims to take bite out of cable crime

BY KRISTINE GARCIA

SPECIAL TO ELECTRONIC MEDIA

NEW YORK—Showtime Networks aims to help its cable system affiliates do something about the estimated \$4.7 billion lost to cable piracy every year.

The network has hired Telecommunications Security Inc., an agency specializing in cable security, to work with multiple system operators and affiliates to create strategies to fight signal theft.

Showtime will cover the costs of TSI's initial presentation to individual systems addressing the scope of the problem and recommending what can be done to increase revenue. Showtime could not say what the price tag of the effort may be.

The MSOs and individual systems, however, will be responsible for the cost of implementing any TSI recommendations.

"We will hope affiliates take advantage of this revenue opportunity," said Jeff Wade, executive vice president of sales and affiliate marketing for Showtime Networks.

"There is a market here: the unauthorized subscriber."

According to TSI consultants Phillip Deming and Richard McCaffery, the only way to tap this market is through signal security.

The planning process includes researching the system's theft problem, investigating personnel, designing employee and contractor policies, and educating subscribers who perceive signal theft as a victimless crime.

Another problem facing cable operators is the sophisticated methods used by those selling illegal descrambling devices.

"They have glossy color publications [catalogs] that make it easy for the consumer because they seem so legitimate," Mr. Deming said.

In 1995 more than 2,000 theft-of-service cases were prosecuted nationwide, up more than 25 percent from 1993. Figures for 1994 were unavailable. #

Electronic Media 6/24/96

Man charged in cable device sale

NASHUA - A Nashua man who allegedly took out a newspaper ad to drum up business landed in jail, accused of selling devices to allow people to receive cable TV channels they aren't paying for.

Christian Spalthoff, 54, is charged with possessing and selling fraudulent communications equipment.

Police said the investigation began after a cable television company reported seeing a newspaper ad for cable converter boxes. Police said Spalthoff was arrested after selling one of the boxes to an undercover detective. Officers acting on a search warrant found about 25 more at his apartment.

It's illegal to make, offer for sale, transfer or give information on making the converter boxes. It's also illegal to have one. (AP)

On Boxing By Jay Searcy

Arum battles pay-per-view pirates

The Chavez-De La Hoya fight will be shown mainly on closed-circuit TV. The promoter has his reasons.

Unless you're a high roller with an invitation to a private showing at an Atlantic City casino, it will cost you \$30 for closed-circuit coverage of Friday night's Oscar De La Hoya-Julio Cesar Chavez super-lightweight title fight, which is scheduled to start between 11 and 11:30 p.m. at Caesars Palace in Las Vegas.

Exception: Those who happen to be among Greater Media Cable's 81,000 subscribers in South Philadelphia, Southwest Philadelphia and parts of North Philadelphia. They get it for \$29.95 and they get it in their homes. There is no other home TV in the region. Everything else is closed-circuit.

The reason: Promoter Bob Arum says he is sick of losing millions because of boxing fans who steal pay-per-view programs with devices that unscramble the TV signal.

Closed-circuit TV was supposed to be Arum's way of warning the cable companies to do something about the theft problem or lose his big-money bouts. Arum estimates that in some sections of the country, up to 50 percent of the audience for his

pay-per-view fights watches pirated signals.

"I had to have guarantees this time because I needed \$18 million to pay for the fight, and I needed the money the night of the fight," Arum said yesterday from Las Vegas. "The big cable companies wouldn't give me guarantees."

In a few scattered East Coast areas, such as Philadelphia, where sales were slow, cable companies were offered pay-per-view. Only Greater Media, which hopes for about 2,500 sales, was interested.

So, stir up an invitation from a friend with a Greater Media Cable hookup, or buy a ticket for one of the following area closed-circuit venues: Felton's Supper Club on Rising Sun Ave. (215-329-9401), the Tower Theater in Upper Darby (215-364-9000), Sports Zone Cafe in Levittown (215-949-9570), Rajah Temple Theater in Reading (610-678-4875), Bally's Grand Hotel and Casino in Atlantic City (609-340-7160), Garden State Park in Cherry Hill (609-488-8400) or Cumberland County College in Vineland (609-691-8600). At

Bally's, the price jumps to \$35 on fight day.

The TV card, which starts at 9 p.m. Philadelphia time, includes a women's match featuring Laura Serrenos, a tough stablemate of Chavez's. Also on the card: a world junior-bantamweight title fight between champion Johnny Tapia and Ivan Alvarez of Columbia and a heavy-weight bout between somebody named Butterbean (Eric Esch) and somebody named George Clark.

Holyfield-Tyson next? Former heavyweight champ Evander Holyfield and World Boxing Council titlist Mike Tyson, whose championship bout was canceled in 1991, may finally get it on. The Atlanta Journal-Constitution reported that a basic agreement was reached at a

weekend meeting in Toronto between Tyson promoter Don King, Holyfield and Holyfield's attorney, Jim Thomas. The fight would take place in the fall after Tyson fights Bruce Seldon for Seldon's World Boxing Association crown on July 13.

A rib injury forced Tyson to pull out of the November 1991 Holyfield bout, and Tyson was sent to prison on a rape conviction before it could be rescheduled.

Why won't Tyson defend his WBC title against Britain's Lennox Lewis, assuming he defeats Seldon next month? Because Tyson is under exclusive TV contract to Showtime and Lewis is under exclusive contract to rival HBO. Tyson will keep the WBA belt that he surely will take from Seldon, a 12-1 underdog, but rather than defend his WBC crown against Lewis, as the courts have mandated, he will vacate that title, thus freeing him to meet Holyfield. Lewis was given \$4 million to step aside and allow the Seldon-Tyson fight.



Time Warner Cable From legal action to education NYC attacks theft at all levels

By Kathleen Scopp, Vice President and General Counsel, Time Warner Cable of New York City; Barry Rosenblum, President, TWC-NYC; and Daniel J. Lefkowitz, Trial Counsel, Time Warner Cable

Editor's note: This is the second winning paper in the NCTA's signal security contest.



Time Warner Cable of New York City ("TWCNYC"), a division of Time Warner Entertainment Company, L.P., is a cable television operator which serves more than 1 million subscribers throughout its franchise areas, which include all of Manhattan and Queens, N.Y. and parts of Brooklyn, N.Y. This is the largest cable cluster in the United States. Our headquarters is in Manhattan, and our five area offices are located in Woodside, College Point, Flushing and

Jamaica, Queens, and Park Slope, Brooklyn.

We secure our system initially by providing each TWCNYC subscriber with one of three different types of addressable convertors and decoders manufactured by Jerrold, Tocom and Pioneer. These devices communicate with TWCNYC's facilities and enable subscribers to access and view the exact level of programming services to which they subscribe.

Additionally, for over 10 years, we at TWCNYC have aggressively combatted the theft of cable services. However, as the magnitude of theft of services grew significantly in our franchise areas (and nationwide) in recent years, we felt we had to do more to protect our system and programming services. To that end, we designed and implemented a comprehensive program to secure the integrity of the system and to aggressively prosecute those who engage, or assist, in the unauthorized interception of cable television programming services at all levels.

Specifically, TWCNYC targeted theft of programming services by individual subscribers and commercial locations, and those who engage in the manufacture, sale or distribution of pirate cable television decoding devices and equipment. TWCNYC worked with federal law enforcement agencies, private investigators and legal experts; employed electronic countermeasures; conducted a tap audit campaign; and instituted a theft-of-services hotline.

We further committed resources to educate our subscribers about the harm TWCNYC suffers from theft and the consequences of engaging in such theft. As discussed below, TWCNYC's educational efforts included television public service announcements, print advertisements and direct mailings. In addition, where appropriate, we publicized the results of some of our anti-theft efforts in order to spread a message of deterrence to those who would steal programming services or enable others to do so.

Program Implementation and results

1. Investigation and civil prosecution of major manufacturers. TWCNYC utilizes private investigators to identify and investigate distributors of pirate decoding devices throughout the United States which sell such devices into TWCNYC's franchise areas. Common sources of such investigations are print advertisements containing "1-800" telephone numbers. Such advertisements are found in myriad publications, including science and technical magazines such as *Popular Mechanics* and *Nuts and Volts*. These investigations have resulted in the civil prosecution of numerous distributors of such devices, including such major distributors as Freedom Electronics Inc., U.S. Cable Inc., and Cable Box Wholesalers Inc. Freedom Electronics operated in Florida, U.S. Cable operated in Florida and New York, and Cable Box Wholesalers operated in Arizona.

In each of TWCNYC's investigations and resulting civil prosecutions against Freedom Electronics, U.S. Cable and Cable Box Wholesalers, TWCNYC's investigators made controlled purchases by telephone of pirate devices, attempting in the process to elicit verbal admissions from the sales representative. In the investigations of U.S. Cable and Cable Box Wholesalers, the telephone conversations were recorded on audio tape which was later transcribed for use as evidence in the civil cases.

Upon receiving the devices they purchased, TWCNYC's investigators conducted tests to determine each device's descrambling capabilities. These tests simply involved connecting each device to TWCNYC's cable television

TAP Audit Campaign

Locations Audited: 246,548

78%

192,777

22%

53,771

17%

9,141

Annual Revenue from Non-Customer Conversions \$4,454,592

The results of Time Warner Cable of New York City's tap audit.

◆ SIGNAL PIRACY



system and observing unscrambled premium and pay-per-view programming. The tests were carefully documented, and the devices were secured for use as evidence in the civil cases.

The investigators then identified the business organization of each of the pirate decoder sale operations, including the identities of corporate parents, shareholders and the officers responsible for business conduct. They further identified any known corporate assets, including bank accounts, which were generated by these identities from the illegal sale of pirate cable decoding devices.

When such investigations were completed, TWCNYC, in conjunction with outside legal

In the three cases described here, an approximate total of 35,000 pirate decoder devices was seized.

In the cases of Freedom Electronics and U.S. Cable, TWCNYC obtained, at a total cost of less than \$100,000, cash settlements totaling more than \$1.2 million as well as court-ordered permanent injunctions prohibiting each pirate from ever again selling decoding devices. In the process, TWCNYC's litigation generated reported decisions which have significant precedential value to future civil prosecutions of such manufacturers by cable television companies.

TWCNYC has also demonstrated a commitment to insuring that such pirate decoder operations do not resume activity. In the case of

for which we were recently awarded \$7.44 million in damages plus attorneys' fees. This was a significant victory, and it appears that U.S. Cable is finally out of business for good. In regard to Cable Box Wholesalers, we were recently awarded partial summary judgment and are awaiting a substantial damage award for hundreds of violations of 47 U.S.C. sections 553 and 605.

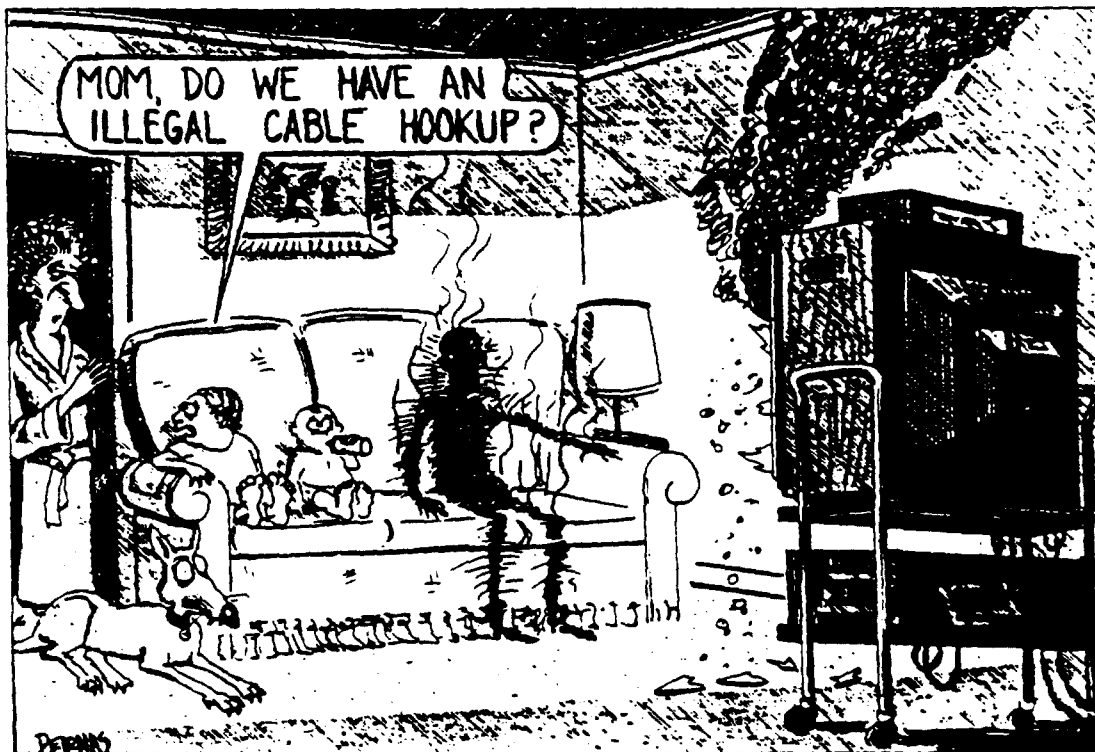
2. Actions against mail order purchasers descrambling devices. Through the civil prosecutions of Freedom Electronics, U.S. Cable and Cable Box Wholesalers, TWCNYC recovered extensive computer records detailing tens of thousands of sales of illegal pirate decoding devices to individuals and subdistributors across the United States. We have downloaded

those records and are presently pursuing litigation against TWCNYC subscribers who purchased pirate cable decoding devices from the three mail order descrambler sales operations mentioned above.

Prior to commencing civil action against these TWCNYC subscribers, TWCNYC sends letters to them inviting pre-litigation settlement. This approach reduces significantly the number of subscribers against whom TWCNYC has to resort to judicial intervention. Once a civil action against the remaining subscribers is filed, more settlements are obtained without the need for full proceedings. All those who settle, whether prior or subsequent to the commencement of litigation, must agree as part of the settlement not to engage in such conduct in the future. In the cases of those who settle after the commencement of litigation, they are subject to permanent injunctions prohibiting them from ever again engaging in theft of services. The penalties for violating these injunctions is stiff. As a result, we have

found that there are few repeat offenders among those who settle these cases. Those who do not settle are civilly prosecuted to final judgment.

3. Investigation and criminal prosecution of local distributors. TWCNYC conducts investigations in conjunction with Federal and New York State law enforcement agencies, including the Federal Bureau of Investigation, the United States Secret Service, and the District Attorneys' offices in each of the boroughs of New York City, to identify and criminally prosecute distributors of pirate cable decoding devices. For instance, in conjunction with Queens County, New York District Attorney



A cartoon which appeared in the New York Post immediately after Time Warner introduced its first "bullet case," which disabled hundreds of illegal decoders.

experts, developed a strategy whereby TWCNYC commenced actions against each respective decoder sales operation. Simultaneously, TWCNYC sought immediate relief, including court orders directing the seizure by the United States Marshal Service of the pirates' entire stock of illegal decoding devices, all related business and computer records, and other evidence. Such orders also provided for a freeze of defendants' assets. This strategy was designed to expedite the civil litigation process, secure evidence, put the pirates rapidly out of business, and preserve for judgment collection the assets of the illegal enterprises.

U.S. Cable, the defendant attempted to re-enter the decoder sales business less than a month after its payment of a substantial settlement sum. In a civil contempt prosecution commenced immediately thereafter, TWCNYC was able to identify the importation and pending sale of approximately 8,000 illegal "pancake" cable descramblers and to have such devices seized by the U.S. Marshal Service before such devices could enter the black market. TWCNYC also learned that U.S. Cable had sold its "800" number to another pirate descrambler sales operation. We then successfully prosecuted U.S. Cable's civil contempt,

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office. TWCNYC's investigations resulted in arrests of six different distributors of pirate devices in the New York area. Of these arrests, three ultimately resulted in felony convictions.

two resulted in misdemeanor convictions and one case is pending. Furthermore, these investigations and prosecutions resulted in the destruction of more than 1,000 pirate decoders and the turnover of more than \$30,000 of the distributors' assets, representing proceeds of their illegal businesses. Such investigations originate from a variety of sources, including the hotline described below, which generates approximately 15 to 30 calls per week, recovered flyers advertising the sale of pirate decoding devices and word-of-mouth tips. In addition, such investigations often reveal that those distributors buy and sell from each other. As a result, an investigation of one distributor often produces evidence which strengthens civil and criminal prosecutions of other distributors.

4. Audits of commercial establishments. TWCNYC regularly utilizes the services of private investigators to audit commercial subscribers and identify those which intercept TWCNYC's programming services. These investigators regularly audit commercial subscribers which publicly display, without authorization or payment, TWCNYC's premium and pay-per-view services such as professional boxing events and major motion pictures. The investigators also audit non-subscriber commercial establishments which access TWCNYC's system by way of unauthorized splices and attachments. We engaged in the civil prosecution of more than 100 commercial establishments in 1995, and of those, we have either settled with or obtained judgments against 42, recovering a total of more than \$175,000. Litigation is pending against the remainder.

5. Electronic countermeasures. With the support and assistance of General Instrument, manufacturer of the Jerrold and Tocom devices used by TWCNYC, and Pioneer, TWCNYC routinely employs electronic countermeasures or "bullets." The employment of such countermeasures results in the disabling of pirate decoders, thus removing such devices from TWCNYC's system. TWCNYC then civilly prosecutes those subscribers who are found to have used such devices to steal TWCNYC's services. Such cases, in

which litigation against some defendants is still pending, have resulted in settlements with numerous defendants totaling in excess of \$230,000. The settlement agreements TWCNYC enters into in these cases contain permanent injunctions identical to those described above. TWCNYC anticipates additional settlements as the cases progress. Employment of these countermeasures also causes word to be spread that TWCNYC is diligent in protecting the integrity of its system, thus deterring subscribers from engaging in such conduct.

6. Tap audit campaign. In 1995, TWCNYC's tap audit campaign, which utilized both TWCNYC employees and outside contractors, resulted in the audits of 250,000 locations. Through it, we found a total of 53,771 unauthorized subscribers, representing

of services. This hotline has been quite successful, attracting approximately 15 to 30 leads per week. Such leads often result in the criminal or civil prosecution of pirate descrambler manufacturers and end-users.

8. Education. In an effort to educate its subscribers about the effects of theft of services, TWCNYC runs television and radio public service announcements and places print advertisements in publications which are distributed in the TWCNYC franchise areas. TWCNYC also uses direct mail to educate subscribers. These mailings provide a reminder to subscribers and supplement our other educational efforts.

Applicability to other operators

The TWCNYC signal security program attacks theft at all levels. The program has had both an enormous impact on the education of TWCNYC's subscribers that theft of services will not be tolerated, while also being a revenue-generating aspect of TWCNYC's business. By using the established successful techniques employed by TWCNYC, other operators can address many of their security problems while participating in sending a message to those profiting from theft that such conduct will not be tolerated by the cable industry. As part of our program to combat theft of services throughout the industry, we have provided to the NCTA and other MSOs customized lists of pirate decoder purchasers who reside in those companies' franchise areas, which were obtained from illegal distributors such as Freedom Electronics, U.S. Cable and Cable Box Wholesalers. Information of this type can serve as a starting point to combat theft by subscribers in other systems. The entire organization of TWCNYC has worked diligently in implementing this program. Through it, we have made notable progress in identifying and eliminating sources of theft of our services at all levels, and in the process, we have educated our subscribers about the effects of such theft.

TWCNYC runs a variety of ads to educate its subscribers about the effects of theft of services.

a theft ratio of 21 percent. TWCNYC recovered convertors from 20 percent of these individuals. More importantly, the majority of the subscribers from whom we recovered modified convertors thereafter became paying subscribers, resulting in a gain of approximately 10,500 subscribers for a gross annual revenue of more than \$483,000.

7. Hotline. TWCNYC also instituted a hotline which subscribers may call to report theft

We are further committed to continuing these efforts through new and innovative means, striving to repeat our successes and learn from our failures. TWCNYC's continued commitment to eradicating the problem of theft will enable us to be more competitive, resulting in higher quality services to our subscribers. **CRD**

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TCI Says It Can Prove Set-Tops Were Altered, Used

By LINDA HAUGSTED

Cable signal thieves in Carefree, Ariz., aren't carefree anymore after TCI Cable of Scottsdale notified them and similar customers throughout Maricopa County that they are about to be sued.

Local Tele-Communications Inc. officials believe this anti-piracy campaign is different because executives believe they have found a way to prove "irrefutably" in court that the "black boxes" they target were actually used by the consumers to view premium units

or pay-per-view events for which they did not pay.

The cable operator won't describe how they're confirming service, for fear of tipping off box suppliers. The technique was developed in concert with General Instrument Corp. Its Jerrold- and GI-labeled boxes

are used legitimately in the 61,000-subscriber system.

If the proofs hold up in court, they will eliminate the primary defenses that most consumers use when confronted by their cable operator: that they inherited the box from former residents, or

never used it for unlawful purposes.

Arizona operators also have the backing of the state Attorney General's Office. Although federal statutes promote the private purchase and use of set-tops from third-party manufacturers, the Arizona attorney has taken the stand that there are no legitimate uses for set-tops that have been altered.

TCI's work orders also state that consumers are barred from using set-tops that have not been issued or authorized by the local operator. Such notifications are a key strategy in cable theft prosecutions, experts said.

Many cable pirates claim that they never used the illegal boxes.

The city also supports the anti-theft campaign; it granted TCI a waiver of the requirement that it give alleged pirates 30-day notification before terminating service.

Ben Baltes, TCI's system marketing manager, said the system launched a three-month investigation due to consumer complaints. He conceded that those have increased in the face of the double-digit rate increases that TCI has pushed through.

Scottsdale-area consumers are mad that some of their neighbors get service free-of-charge due to the illegal boxes, while subscribers must pay more for cable.

Baltes estimated the Scottsdale system's annual loss to theft at \$2.5 million.

Operators also fear threat from PPV producers that they will move high-profile events including boxing, to closed-circuit distribution if operators don't clamp down on theft, he added.

TCI sent restitution demands to 400 alleged thieves, notifying them that they are subject to up to \$10,000 in damages and attorney's fee. The letters didn't generate an immediate response, but they spiked after a press conference last Wednesday featuring Scottsdale deputy chief James Kershner. Baltes said by Thursday afternoon, some boxes had been voluntarily returned, and calls to attorneys by the targeted consumers to initiate negotiations had increased. **WCH**

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Multichannel NEWS

1 with Warner/News May 1978

Gunmen Rob 300 Boxes in New York

By JOE ESTRELLA

Two armed cable pirates masquerading as job applicants recently bagged 300 converter boxes owned by Time Warner Cable of New York, with an estimated value of more than \$120,000.

The gunmen were pretending to apply for jobs at the offices of a Time Warner installation contractor in Yonkers, N.Y., when a company truck arrived to deliver the converter boxes.

However, the pair were apparently aware that after years of having its shipments hijacked, Time Warner was in the habit of shadowing its delivery trucks with armed guards.

"In this particular case, the thieves waited until the truck got to the location, and the guards had left, thinking everything was OK," said Barry Rosenblum, president of Time Warner Cable of New York. "Then

they took their guns out and stole the truck and the converters."

Time Warner estimates that its average customer pays \$40 a month for cable programming, which means that 300 lost converters translates into another \$144,000 a year in lost revenues.

But since a cable pirate typically uses stolen converters to steal high-dollar pay-per-view programming, it's believed Time Warner's losses will be much higher.

"It's not just the loss in terms of the cost of the box," Rosenblum said. "The big loss to us is that each of those boxes will be used to steal from us. The actual merchandise they steal is much greater than [what] the average customer might purchase."

Bob Astarita, head of security for Cablevision Systems Corp. and co-chair for the Coalition Opposing Signal Theft, an advisory group

to the National Cable Television Association's Office of Cable Signal Theft, said the instances of armed robbery involving cable equipment are on the rise.

"It's becoming a bigger problem than we ever anticipated," Astarita said. "But we must be doing something right in attempting to keep some of the inventory out of the pirate market, because they're having to resort to stickups, holdups and hijackings across the country."

"It's because it's so lucrative. I've had some pirates tell me it's better than drugs," Astarita said.

Astarita got some firsthand experience involving armed cable thieves a few years back, when five masked gunmen invaded a Cablevision warehouse in the Bronx.

The incident resulted in a hostage situation that deteriorated into a gun battle with the New York Police Department. **MCM**

Cop among 4 sued over cable boxes

By Gary Susswein
The Patriot Ledger

A Weymouth police sergeant is one of four South Shore residents being sued by Harron Cable for allegedly stealing premium and pay-per-view TV programs.

Paul M. Casey, a police officer for 13 years and a sergeant since October, denies Harron's claim that he owned an illegal cable descrambling box for 3 1/4 years in the early 1990s. He is scheduled to defend himself in a civil trial in Wareham District Court on May 14.

The other defendants are Ronald Caron, a technician at Channel 7; David Campbell, the former president of a Rockland-based engineering consulting firm; and Frank Scarpino of Pembroke.

Harron is suing them for \$20,000 for each descrambling box, plus interest and court costs.

All the defendants are fighting the accusations.

They either refused to comment on their cases or did not return calls from The Patriot Ledger.

The cable company says the four bought the descramblers for about \$200 each from a California-based company called Global Cable Networks.

The descramblers can be attached to cable boxes. The company says they allow viewers to receive more than

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4 sued over cable descramblers

■ CABLE

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\$20,000 worth of premium channels and pay-per-view programming a year at no cost.

Global was shut down by the federal government in 1993, and the FBI gave a list of the company's customers to Harron officials. The company hired a private investigator to check them out.

About 25 of the customers reached out-of-court settlements of between \$5,000 and \$10,000, Harron has said.

Last month, a Plymouth District Court judge dropped the fine against a pair of confessed cable pirates from \$50,000, the maximum allowed by law, to less than \$300.

In court documents, the four defendants claim that Harron's private investigator, Frank McGovern, falsely identified himself as an FBI agent when he visited them.

Caron says McGovern trespassed on his property. Harron attorney David Sorrenti said that's not true.

Court records show that each of the defendants is offering a slightly

different defense against Harron's claims.

• Casey, 34, lives in Abington. He is representing himself in court and says he never ordered a descrambler from Global. But McGovern says Casey admitted he bought the descrambler in October 1990 and threw it out because it didn't work.

Casey is countering Harron "for severe emotional distress incurred as a direct result of the intentional, willful, malicious statements made against the defendant."

• Caron, 46, of Pembroke, identified himself in court records as a Channel 7 employee. In court papers, he said the descrambler he bought in 1990 never allowed him to receive premium channels and that he returned it shortly after he bought it.

Last month, Channel 7 aired a news story on the Pembroke cable pirates who had been fined \$50,000.

• Campbell, 50, is listed in court records as president of Briggs Associates Inc., an engineering consulting firm in Rockland. Employees there say Campbell left the company several months ago.

In 1994, he allegedly told McGovern that he had bought two descramblers and gave one to a relative. Since then, he has refused to answer some questions in depositions, "routinely rely(ing) on his privilege against self-incrimination," according to a brief submitted by Sorrenti.

Briggs Associates is also named as a defendant in the suit because Campbell allegedly had the descramblers delivered to his office.

Because Campbell lives in Plymouth, where Adelphia Cable provides service, Adelphia is a co-plaintiff.

• Scarpino, 50, returned the descrambler to McGovern, according to court papers. He said it never worked as he had hoped it would and that he subscribed to Harron's "deluxe" programming package shortly afterwards.

"From businessmen to people that are police and lawyers, it certainly does cross a wide band of jobs and lifestyles," former Harron business manager Dianne Planaky said about accused cable pirates.

Multichannel News April 8, 1996

Mass. Court Fines Cable Pirate \$50,000

By JOE ESTRELLA

A Massachusetts District Court recently handed down the largest fine ever imposed on an individual user of illegal cable television descrambling devices.

Plymouth District Court

Judge Thomas Brownell hit Patrick and Laurie Philie of Pembroke, Mass., with a \$50,000 fine for using a bogus descrambler to steal premium and pay-per-view services from Harron Cablevision from 1990 to 1993.

The fine was the maximum

allowed under federal law, and it included \$8,000 in interest and \$2,000 in legal fees.

"I don't think we're going to collect," conceded Dianne Plansky, business manager for Harron Cablevision of Massachusetts, which owns the 28,000-subscriber system that

serves seven South Shore communities. "What I hope for is that it will stop other people from stealing."

Jim Allen, head of the National Cable Television Association's Office of Cable Signal Theft, said the growing list of descrambling cases reflects

the industry's newfound resolve to pursue individual users of illegal set-top devices, rather than just large-scale distributors.

"In the overall scheme of things, it's finally being realized that the problem with unauthorized set-top devices needs to be communicated to consumers," Allen said.

Plansky said a 1992 survey by the NCTA estimated that a system like Harron's loses \$325,000 to cable theft each year.

The Philies were among 30 Harron Cablevision subscribers that had purchased illegal descrambling devices from Global Cable Network, a California-based entity from which the Federal Bureau of Investigation obtained a list of clients.

Some 25 Harron customers on the FBI's list have reached settlements with the company ranging from \$2,500 to \$10,000. Four others are awaiting trial dates.

The Philies did not return calls for comment last week.

However, in an interview with the *Boston Globe*, Patrick Philie said he purchased the device for \$150 in 1990, but he got rid of it a few weeks later when he discovered that it was illegal.

"I had it for less than a month, and they're trying to stick me for years," Philie was quoted as saying in the *Globe*.

The couple's attorney, Ira Lukens, has asked the court to reduce the fine to \$100. A hearing date has been set for April 16.

The NCTA estimates that 2,000 descrambling cases were tried in the U.S. last year. **ENR**

APRIL 1, 1996/ CABLE WORLD

NEW MEDIA

BAR TAB: A Louisiana federal district court judge has fined a New Orleans bar a total of \$27,100 for showing blacked-out **New Orleans Saints** games, according to the **NFL**. The league's lawsuit was part of its aggressive effort to stamp out signal piracy and persuade more bars and restaurants to subscribe to its *NFL Sunday Ticket* package on satellite TV.

Gunmen Shoot Comcast Worker at Warehouse

By JOE ESTRELLA

An employee at Comcast Cablevision in Ontario, Calif., was shot during an aborted armed robbery that apparently targeted set-top converter boxes stored in a warehouse area.

A male telemarketing employee and a female customer service representative were leaving the building at about 11 p.m. on March 21 when they were confronted by five masked gunmen.

The gunmen forced the two back into the building, where they were bound and gagged.

However, the female employee apparently managed to trigger an audible alarm that alerted local police. One of the gunmen then shot the male

employee in the abdomen during the resulting confusion.

"Somebody tripped it [the alarm]," said Linda Johnson, public information officer with the Ontario Police Department. "But the victim was shot after the alarm went off."

The injured employee was airlifted to a local hospital, where he was reportedly in stable condition late last week. His name was not being released for fear of reprisals, Johnson said.

Ontario Crime Stoppers, a local community group, has offered a reward for information leading to the capture of the gunmen.

"It's horrible," said Connie Scholz, a corporate spokeswoman for Comcast Corp. "We've never had reason to believe that our employees were not safe going to their own cars. We're go-

ing to take security to a level that [will make] our employees comfortable and safe."

Scholz said the gunmen did not get any cash or converter boxes.

System general manager Rich Germano issued a memo the morning after the shooting informing employees that security would be beefed up and that security guards would be available to escort all workers to their cars.

The Ontario incident was not the first time that cable pirates have resorted to violence.

In 1994, an attempted robbery at a Bronx, N.Y., warehouse resulted in a hostage situation that ended with one system employee being severely beaten by one of the gunmen and shots being exchanged with police that responded to an alarm. **MEN**

Metro Region

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THE BOSTON GLOBE • FRIDAY, MARCH 29, 1996

Bill comes due for cable pirates: \$50,000

By Karen Averoso
GLOBE CORRESPONDENT

For four years, Patrick and Laurie Philie never paid a cent for the dozens of HBO movies and pay-for-view extravaganzas they watched on cable TV. Now, they have racked up a bill of \$50,000.

Last month, a judge fined the Pembroke couple that amount for theft of services from Harroon Cablevision. Between 1990 and 1993, the Philies used two de-

Pembroke pair gets maximum fine for years of watching without paying

scrambler boxes to tune in illegally to cable channels.

Their fine is the maximum allowed by federal law for use of cable descramblers. But, while the Philies' lawyer says his clients are being made examples, industry executives say their harsh punishment

reflects a recent trend.

"Cable operators have realized how much money they're losing," said G. William Dunderdale, director of security for Cablevision. "Instead of just busting the big guys, we need to decrease the demand for the descramblers by going

after the individuals who use them."

Nationally, cable companies lost \$7 billion in 1994 to the "black box" trade, according to the National Cable Television Association. Some cable companies estimate that one out of five cable viewers uses a descrambler.

For an industry that generates about \$26 billion in annual revenues, that loss is too much to absorb, say cable officials. Though some companies have amnesty

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Pembroke pair fined \$50,000 in cable case

■ CABLE

Continued from Page 33

programs for descrambler users, others have chosen to go after individual users.

More than 2,000 descrambling cases were prosecuted across the country last year, with perpetrators often receiving near-maximum fines, association officials said.

Locally, Dunderdale says, he can only recall two or three recent cable pirating cases on the scale of the Philies. But William Durand, executive vice president of the New England Cable Television Association, says he expects an increase because of a 1992 law that stiffened penalties for people who use illegal descramblers. Also, he said, devices have been developed that let companies trace cable thieves.

Cable companies also can track illegal viewers when the vendors of descramblers give up lists of their clients as part of plea bargains.

By prosecuting black-box users, cable executives say, they're recouping lost profits and helping honest viewers. The average national rate for cable service is about \$30 a month and officials say it has edged up because of the black box market.

Many people caught with descrambler boxes pay the minimum fine of \$250 — or \$100 if they committed their crime innocently. But 25 people on an FBI list of alleged cable pirates that included the Philies paid between \$5,000 and \$10,000 in out-of-court settlements, said David Sorrenti, the Brockton lawyer who represents Harron Cablevision.

Neither of the Philies could be reached for comment, but their lawyer said the fine is much too high.

Ira Lukens of Plymouth said that even if the couple knew it was illegal to use the boxes, which they saw advertised for \$150 in a mass-market electronics magazine, the crime is a minor one that is being punished excessively.

"These black boxes may be against the law, but so is copying magazines or software," he said. "The cable companies are just being super-aggressive to set an example and scare people."

The Patriot Ledger

South Edition ★

Thursday
March 28, 1996

Cable pirates fined \$50,000

By Gary Susswein
The Patriot Ledger

PEMBROKE — For four years a Pembroke couple watched HBO and pay-per-view shows on their televisions for nothing. Now a judge has ordered them to pay \$50,000 for theft of the services.

Patrick and Laurie Philie owned two cable descrambler boxes from 1990 to 1993 that illegally tapped into the channels so they could watch shows they hadn't paid for.

The fine, issued by District Court Judge Thomas Brownell in the civil case last month, is the maximum allowed by federal law. It includes more than \$8,000 in interest and almost \$2,000 for legal fees for Harron Cablevision.

"Harron had lost money over the period of time that the Philies had used the box," said lawyer David Sorrenti

Pembroke couple got channels illegally

of Brockton, who represents the cable company. "Certainly the fine is a deterrent to other people who might want to use these boxes."

The Philies were among about 30 Harron subscribers from the South Shore who three years ago were on an FBI list of people who bought illegal descramblers from a California company called Global Cable Network.

The small, round descramblers are connected to the boxes issued by cable companies and override the channel-scrambling mechanisms in them.

Twenty-five of the subscribers named on the list reached out-of-court settlements of between \$5,000 and \$10,000. The other four are scheduled to go to trial later this year, Sorrenti said.

Patrick Philie, who lives on Plymouth Street, admits he owned the illegal descramblers. But he said that he watched far less than \$50,000 worth of programming, and that he won't be able to pay the fine.

"I'm on disability. I'm getting SSI. Good luck to them in getting the checks," said Philie, who does not work because of poor circulation.

The Philies' lawyer, Ira Lukens of Plymouth, was not in court when the fine was levied and has since asked Brownell to reconsider the fine and charge the Philies \$100. A hearing date has been set for April 16.

Please see CABLE — Page 11

Judge fines couple for descrambling cable TV shows

■ CABLE

Continued from Page 1

More than 2,000 descrambling cases were prosecuted across the nation last year. Judges frequently charged the maximum fine allowed by law, according to the National Cable Television Association.

"This is a common problem," said William Durand, executive vice president and general counsel of the Braintree-based New England Cable Television Association. "One of the problems is in getting the public to understand this is a valuable service you can't steal."

"It's not a victimless crime. If everyone receiving HBO were paying for it, it would be less expensive."

The Philies were not charged with any criminal violations.

Patrick Philie said this week that he bought the illegal cable descramblers for \$150 in 1990 through an advertisement in an electronics magazine. He said he got rid of them several weeks later when he learned they were illegal.

"I had it less than a month, and they're trying to stick me for years," he said.

But the lawyers for both parties said Philie kept the descramblers — with one of them connected to the television — until Kingston police seized them in about 1993. The police were in his apartment on an unrelated matter.

Harron filed complaints against the Philies two years ago. Company officials said the couple potentially could have stolen up to \$20,000 worth of programming a year with each box.

Court records show that hearings were delayed four times in the case, and that the Philies had not responded to requests for information from Harron.

Lukens said his clients would have fought the charges altogether, instead of just contesting the amount they are being fined, if they had more money for legal fees.

Since the complaints were filed, Harron has shut off the Philies' \$12.69-a-month cable service.

Patrick Philie said that's fine with him. "It was a good thing to happen, because I have a satellite dish now," he said. "I have 130 channels with that."

Laurie Philie no longer lives on Plymouth Street and could not be reached for comment.



press

I N F O R M A T I O N

FOR IMMEDIATE RELEASE
Wednesday, March 27, 1996

Contact: Rich D'Amato
202-775-3629

CONNECTICUT CABLE COMPANY "ZAPS" CABLE THIEVES

Tele-Media Company of Western Connecticut Uses High-Tech "Electronic Missile" to Disable Illegal Boxes

WASHINGTON, DC -- In an effort to stop cable thieves, engineers at Tele-Media Company of Western Connecticut, in association with Scientific Atlanta, recently transmitted an "electronic missile" over the system, which rendered useless illegal signal converter boxes. The "missile," a powerful electronic pulse, disabled converters that had been altered to illegally receive programming without paying for it. The electronic missiles circumvents, and in no way affects, the converters used by legitimate subscribers.

Those customers whose illegal boxes were disabled by the pulse are given the opportunity by Tele-Media to return the converter, and arrive at a settlement that will enable them to become customers in good standing. After the grace period, Tele-Media will prosecute those who refuse to come forward to settle. "The 'missile' is the first step in Tele-Media's 'no tolerance' policy with respect to theft of service," said Douglas F. Best, Tele-Media vice president and general manager. "In this age of rate restrictions, alternate media sources, and increased competition, theft of service is not something we can tolerate. Those who steal service make honest, paying subscribers subsidize the cost for those who steal it."

Tele-Media's high-tech, get-tough offensive against illegal cable piracy was commended by James Allen, Director of NCTA'S Office of Cable Signal Theft (OCST). "Tele-Media's 'missile' demonstrates that even smaller cable systems have large artillery to combat signal theft. They are using a three-tiered approach: technical; legal; and educational, to deter signal theft."

Cable television piracy costs the cable industry and franchise communities around the country -- through lost franchise fees -- nearly \$4.7 billion per year (figures are based on a 1991 survey conducted by NCTA's Office of Cable Signal Theft). Those costs put pressure on the cable rates paid by law-abiding cable subscribers; further, cable theft often compromises signal quality throughout a cable system.

- 30 -

National Cable Television Association
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(202) 775-3629 (202) 775-3675 (fax)

MARCH 11, 1996/ CABLE WORLD

NEWSWIRE

Stolen Cable Set-Tops, Silicon Chips Seized in March 7 Raid by L.A. Cops

The Los Angeles County Sheriff's department seized several thousand stolen cable boxes and a stash of silicon chips in a March 7 raid on a North Hollywood, Calif., warehouse, residence and lab. Police took two suspects into custody but didn't make any arrests. The raid ended an 18-month investigation led by Continental Cablevision of Los Angeles.

■

Two accuse candidate of selling illegal cable devices

By Jeff Buell
and Jay P. Tharinger
Observer staff writers
Copyright March 6, 1996
The Observer

Rio Rancho City Councilor-elect Ron Yestrebi has been accused by two different sources of making and distributing devices that illegally descramble cable television signals, allowing users to receive premium channels without paying for them.

City Councilor Tony Popper, Yestrebi's chief opponent in this week's city election, said he bought one of the descrambling devices from Yestrebi about a year and a half ago for roughly \$150. Popper admitted that he knew the device was illegal at the time he purchased it. Popper also said he knew of at least 10 other people who received one of the devices from Yestrebi, but he would not reveal their names.

Popper turned the descrambler over to Post-Newsweek Cable, which provides cable television services in Rio Rancho, about two weeks ago.

When asked if he had made a descrambling device, Yestrebi told *The Observer*, "I have made several experimental ones, yes," but denied selling a



Ron Yestrebi

descrambler to Popper or anyone else. "To the best of knowledge I have never done anything illegal," said Yestrebi just after winning the election Tuesday night.

One other source — who wished to remain anonymous — admitted to *The Observer* that he/she had received one of the cable descrambling devices from Yestrebi about six months ago.

"Did I buy one? No. It was given to me. (by Yestrebi)," the source stated.

At the time, the source said he/she was paying for premium channels HBO and Showtime, and Yestrebi had told the source to cancel them. The source did not, and continued paying for HBO and Showtime.

Please see Yestrebi page A-2

Yestrebi

Continued from Page A-1

But now, with Yestrebi's replacement cable box, the source began to receive eight or nine more premium and pay-per-view channels free of charge. "I got every channel."

"When Yestrebi started running for election, I knew something might come up," the source said, so the descrambling device was turned in to Post-Newsweek Cable about two weeks ago.

"I don't want the guy to go to jail, but what he's doing is illegal," the source said last week.

The source also said he/she knew of others receiving, or buying, similar devices from Yestrebi but would not reveal names.

Popper's allegation came prior to the recent city election, and Yestrebi dismissed the accusation as a political tactic. "It's obviously some kind of last minute smear campaign," said Yestrebi in a phone interview with *The Observer* on Feb. 27.

Joan Brocklesby, general manager of Post-Newsweek Cable, confirmed that two converters capable of descrambling every signal sent out by cable, had been anonymously turned in by two separate parties. The boxes had been illegally modified.

For the devices to work, explained Brocklesby, the user must pay for the basic cable package. Every other signal can then be descrambled by the box. For every box currently being used, Post-Newsweek loses \$45.25 in revenue based on the premium channels alone. Losses in revenue also occur on pay-per-view channels such as movies, which cost between \$3 and \$6 each, and special events which can cost up to \$40 a showing.

Brocklesby said that Post-

Newsweek has not taken any action yet because there is a lack of information. She said, however, that the company does have the technology to determine whether and by whom these devices are being used.

"We are investigating it," said Brocklesby.

Richard D'Amato of the National Cable Television Association said that in 1992 alone the cable TV industry lost \$4.7 billion because of illegally descrambled cable TV signals. That cost, said D'Amato, is passed on to cable TV customers.

"It's not a whole lot different than asking your neighbor to pay your cable bill for the month," said D'Amato.

Ray Davenport, president of the New Mexico Cable Television Association, said that the selling of a descrambling device is a violation of federal law, punishable by fines of up to \$100,000 and up to one year in jail. It would be up to the FBI to investigate any claims based on the severity of the case.

Davenport said that priority is given to large "warehouse-type" operations, while an individual making and using the device for his personal use would be given a relatively low priority.

For reports of 10 or more boxes being sold, as Popper alleges Yestrebi has done, Davenport said he believes the FBI would be interested in investigating.

"Ten is a number sufficient to get the real attention of the FBI and do a somewhat substantial probative investigation," said Davenport.

Davenport also pointed out that using the device is also illegal. "We'd hope to catch those folks using the device," he said.

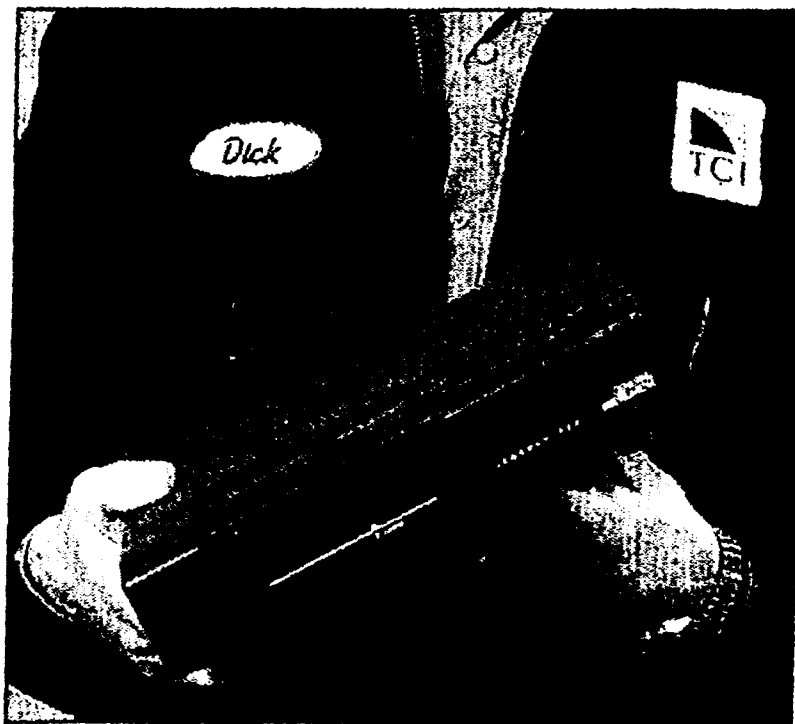
At the time of publication, no investigation into this matter had been initiated, and no formal complaint against Yestrebi had been filed.

FROM: JEFF BUELL, THE OBSERVER, RIO RANCHO, NM

— Thank you for your assistance - please

call me if you have any comments or information regarding this issue.

City/Region



Carol Dose/The Post-Bulletin

Dick Fenske of TCI Cable shows the type of converter box being used by hundreds of subscribers without authorizations, costing the company thousands of dollars every month in lost revenue.

Cable company battling back against unauthorized boxes

By Janice Gregorson

The Post-Bulletin

TCI Cable of Rochester is taking the offensive in its battle against theft of services.

The company is focusing its attention on customers who have purchased converter boxes through magazine ads and are using them without authorization to tap into premium channels free.

Dick Fenske, installer technician at TCI, said the company figures about 1,000 customers in the Rochester area are using the boxes without authorization.

That amounts to about a \$520,000 loss monthly to TCI based on what it would cost those customers to purchase all the services. He explained that while the customers subscribe to basic or expanded basic service, they are using the expensive premium channels without

paying.

To combat the loss, TCI is taking its evidence to authorities to bring misdemeanor charges against offenders. So far, there have been two such prosecutions. The most recent case resulted in a \$210 fine against a Stewartville woman, Patricia Susan Kirkham, 42. She was sentenced in Olmsted District Court Feb. 9 on the misdemeanor theft charge. In addition to the fine, Judge Dennis Weber ordered her to pay restitution of \$519.19.

Fenske said a cable crew was called to her residence on a service call. A TCI employee saw a black box on the television set, and checked it to see if it was receiving all the premium channels. It was. The employees seized the box, as permitted under federal laws.

Fenske said a similar conviction was obtained in a Goodhue County case.

3 charged in theft of cable service

By LISA TEACHEY
Houston Chronicle

Three Houston men have been charged under a new state law with illegally selling cable TV converter boxes and installing cable TV service in homes throughout the city, authorities said Wednesday.

John Carlton McCann, 46, Armando Reyna, 38, and Carlos Martinez, 30, are the first people in Houston to be charged under a law prohibiting unlawful cable interception. The law took effect Sept. 1, 1995.

Undercover Houston police officers, with the help of Warner Cable representatives, began investigating the three in late January after learning that McCann, a former Warner employee, was manufacturing and selling cable TV converter boxes, police said. Authorities said Reyna and Martinez were installing McCann's boxes.

On Jan. 29, an undercover officer made arrangements for Reyna to install the pirated service in a home in northeast Houston. Reyna was arrested after selling them a converter box for \$350 and charging \$120 to hook up the service, police said.

McCann was arrested Tuesday at his job at LBJ Hospital, police said. Martinez also was arrested Tuesday. McCann's bond was set at \$500 while bonds for Reyna and Martinez were \$1,000 each.

Warner Cable spokeswoman Pam Thorne said the new law was enacted during the 1995 legislative session when the penal code was rewritten. Under the old law, authorities had to prove a person accused of stealing cable service actually hooked the equipment up.

To make it easier to prosecute cable theft cases, the law was reworded in 1995 to make it illegal to purchase, possess, hook up or maintain cable service without paying for it.

"The community needs to understand theft of cable service is illegal, and we take it very seriously," Thorne said. "Cable theft is unfair to our paying customers."

Authorities are not sure how many customers were receiving the service from McCann, Reyna and Martinez.

Thorne said authorities estimate that the three were selling four or five converter boxes a week, but it is unclear how long they had been doing so.

Feds Bust Nebraska Pair

By LINDA HAUGSTED

Federal prosecutors in Atlanta have issued a 23-count criminal indictment against an Omaha, Neb.-based business that investigators say is a significant source of altered cable converters.

Named in the indictment, issued by the U.S. District Court for the Northern District of Georgia, Atlanta Division, based on a Federal Bureau of Investigation probe, are Gene Abboud and his son Joe Abboud.

The indictment accuses the pair of wire fraud (for arranging the purchase and sale of altered boxes over the

telephone), conspiracy, unauthorized interception of cable service and money laundering.

The U.S. Attorney's Office in Atlanta is moving to seize \$324,700 in cash that was collected in the course of making the case against the business.

The pair have operated since at least 1988 under a variety of names, but the indictment specifies United Imports Corp. of Omaha, which is also known as G&A Distributing Inc., doing business in Council Bluffs, Iowa, and M.D. Electronics of Omaha.

Cable piracy investigators rejoiced over the action, saying it puts a crimp in the op-

erations of a dynasty of sorts in the converter alterations business. Other Abbouds are also the target of suits. Another son, David Abboud, is the subject of a civil case pursued by General Instrument Corp. in federal court in Pennsylvania that comes to trial next month. GI alleges that David Abboud's business, NuTek Electronics and Manufacturing, has violated the 1992 Cable Act and the Lanham Act, which governs copyright violations.

The Abbouds did not return phone calls placed to the office of M.D. Electronics. Jim Allen, head of the National Cable Television Association's

See FEDS, page 51

Feds Bust Nebraska Pair

Continued from page 6

Office of Cable Signal Theft, lauded the U.S. Attorney's Office for the breadth of the Atlanta indictment. He said it was difficult to quantify the amount of the pirate marketplace supplied through the Abbouds' businesses but characterized it as considerable.

The Abbouds have been active in the National Consumer Cable Association, a lobbying group established by set-top distributors in 1993 to publicize members' views that consumer electronics ownership language in the Cable Act legalizes sale of set-tops directly to consumers. Joe Abboud was a founding member of the board of directors. The NCCA even filed suit in U.S. District Court in Nebraska on behalf of M.D. Electronics, alleging that FBI raids conducted in 1992 that led to last week's indictments were improper.

But the family is unlikely to get NCCA support this time. A recording at NCCA administrator Ilene Reed's number

stated the phone was no longer in service.

Calls to NCCA members netted a referral to a spokesperson's number in the Omaha area code. A woman who answered the phone there stated tersely that the NCCA "is no longer in business" and then hung up.

Cable industry sources said the association crumbled due to arguments over the amount of dues and fears that its membership list would provide too much information to investigators.

It also suffered due to setbacks to member companies. For instance, Novaplex Inc. of California, owned by founding board member Trey Prevost, agreed to a \$2.75 million judgment to Continental Cablevision Inc. to settle piracy suits in 1994.

Although the United Imports investigation was conducted with the apparent cooperation of Scientific-Atlanta Inc., United Imports also dealt in other brands, including Jerrold, Tocom, Zenith,

Hamlin, Eagle and Pioneer. S-A declined to comment on the indictment or investigation.

According to the indictment, equipment in United Imports' inventory at the time of a 1993 raid included purchased and stolen set-tops.

The indictment offers an inside look into United Imports' operation, including how it trained customer service personnel to explain that converters they sold were undetectable by cable companies and "bulletproof," that is, impervious to electronic bullets sent to addressable boxes in an effort to disable doctored boxes.

The FBI made the case against United Imports, according to court documents, by getting a "cooperative witness" to sell several hundred S-A boxes to the Abbouds. Investigators later made individual purchases of set-tops that proved to be from that lot. They had been altered to illegally receive all cable signals, the indictment alleges. **NCA**

L.A. Jury Convicts Set-Top Distributor

LOS ANGELES — A Los Angeles Superior Court jury voted to convict a major distributor of altered set-top hardware, his son and his business manager on three felony conspiracy counts and one misdemeanor.

Alvin and David Poll and Jonathan Cornell face a maximum prison term of three years and fines of up to \$27,000. Sentencing is scheduled for next month.

The trio ran businesses under names including Pacific Cable Co., Cabletronics, West Coast Electronics, Cable Equipment Brokerage and Republic Cable Products, accord-

ing to court documents.

Alvin Poll's downfall began with an investigation initiated by Continental Cablevision in 1992. With evidence collected by the cable company, the Los Angeles and Las Vegas police departments served warrants

at locations in their respective cities in 1993. The raid resulted in one of the largest seizures of unauthorized

The jury
convicted the
trio of two counts
of conspiracy.

equipment ever to occur in the U.S., plus business records.

An examination of the paperwork showed that at least 2,700 altered set-tops were shipped to addresses within Continental's Los Angeles service area, according to case

documents.

The jury convicted the trio of two counts of conspiracy: one based on their manufacturing

and distributing unauthorized set-tops, and the second for defrauding the cable operator and the cities of Los Angeles and Compton. (Theft losses cost the cities franchise fee revenue.)

The misdemeanor also relates to distribution.

In addition, Continental filed a civil case, seeking unspecified damages, against Alvin Poll and a second son, Darryl, in U.S. District Court in Los Angeles.

A July 25 trial date has tentatively been set for that action. The criminal conviction should help in the case against the senior Poll. —MCN

Pirate Cable Decoders Popping Up On Market

By LINDA HAUGSTED

BUENA PARK, CALIF. — New versions of unauthorized cable decoders, with names like "The Stealth," "The Boss" and "Everquest," are continuing to proliferate, with 17 appearing in the last 18 months alone, according to security specialist Philip Deming.

Features are becoming more sophisticated, too, Deming warned at a recent seminar for system security officers here. One decoder is designed to look like a CD player and allows a cable subscriber to revert to his authorized service level if a cable technician comes knocking at the door.

Besides losses due to theft of service from devices, operators could face product liability claims from the use of some new pirate hardware.

For example, The Stealth, manufactured in the Pacific Rim, is a decoder placed inside a Panasonic casing. The problem: The illegal technology inside blocks the vents on the side of the set-top. The heat buildup could cause second- or third-degree burns to a child, Deming said. Victims could try to make the operator a party to a claim if an injury occurs.

Operators weaken their chances of scaring consumers out of buying illegal hardware by failing to notify them of their liability to prosecution, added attorney Geoffrey Beauchamp. To save on paperwork, few operators insist that subscribers sign an equipment lease agreement detailing the appropriate use of a set-top.

Operators could also educate consumers by including in bills the definition of a legal converter and an illegal decoder and the customers' lia-

bility under the Cable Act if they are found guilty of theft, he said.

Operators will have better luck convincing a judge a signal thief actively committed a crime if the billing notice contains antipiracy information, Beauchamp said. In addition, the strengthened case could result in higher judgments for the operator.

Theft by employees is also on the rise, the experts said, due in part to lax procedures by operators. An informal poll of seminar attendees from companies including Tele-Communications Inc., Jones Intercable Inc. and Comcast Corp. showed that few have programs that limit access to equipment warehouses to authorized employees.

Other holes in the system: Equipment deliveries are left on unsecured loading docks for long periods of time, and systems don't always unwrap inventory and begin tracking set-top movement until they put the boxes into circulation.

Even more obvious security measures are sometimes overlooked, such as pulling the ID badges of separated employees. Deming told of an angry ex-employee of an unnamed system, who, through a friend of the company, collected lists of the day's disconnects for weeks after his termination. He "serviced" the customers, taking the boxes to sell on the black market and leaving the company with dozens of angry customers who continued to be billed for service after they dropped cable.

ID badges should include expiration dates, Deming suggested, and operators should retrain employees in antipiracy procedures and the systems' liability for theft as a requirement for renewing their badges.

Operators face liability
claims from use
of some pirated
hardware.

—MCH